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City of Rolling Fork

P.O. Box 310

Rolling Fork, MS 39159

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Email: rolnfork@bellsouth.net

Mayor: Eldridge J. Walker

City Clerk: Sandra M. Nichols

Deputy Clerks: Katie Alexander & GwenRenay Smith

Alderwomen: Mary Corban, LaDonna Sias &
Carolyn Washington

Aldermen: Charles Russell & Calvin Stewart

September 25, 2015

Office of the State Auditor

P. O. Box 956

Jackson, Ms. 39205

RE: Annual Municipal Audit

Accompanying this letter is a copy of the annual compilation report of the City of Rolling Fork, Mississippi, for the fiscal year ended September 30, 2014. A separate management letter was not written with this report.

Sincerely,



Eldridge J. Walker, Mayor
City of Rolling Fork



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CITY OF ROLLING FORK, MISSISSIPPI
FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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CITY OF ROLLING FORK
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HODNETT COMPANY CPA, PLLC

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HODNETT COMPANY CPA, PLLC

50 Frontage Road

P.O. Box 249

Rolling Fork, Mississippi 39159

Phone: (662) 873-4343 • Fax: (662) 873-4340

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Aldermen
City of Rolling Fork
Rolling Fork, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rolling Fork, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Mississippi, which is a comprehensive basis of accounting other than generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes

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evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rolling Fork, Mississippi, as of September 30, 2014, and the respective changes in cash position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

Our report on the financial statements includes an emphasis-of-matter paragraph drawing attention to Note 1 to the financial statements, which states that the city prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Mississippi, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rolling Fork, Mississippi's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *U.S. Office Management and Budget Circular A-133, Audits of States, Local*

Governments, and Non-Profit Organizations, and is also is not a required part of the basic financial statements.

The schedule of long-term debt, schedule of investments, schedule of surety bonds, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of long-term debt, schedule of investments, schedule of surety bonds, and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2015, on our consideration of the City of Rolling Fork, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Rolling Fork, Mississippi's internal control over financial reporting and compliance.

This report is intended for the information of the City's management, the Office of the Mississippi State Auditor, and the appropriate federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Hodnett Company CPA, PLLC

Rolling Fork, Mississippi
September 23, 2015



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CITY OF ROLLING FORK
STATEMENTS OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2014

Functions/Programs	Program Cash Receipts				Net (Disbursements) Revenue & Changes in Net Assets			
	Cash Disbursements	Charges for Services	Operating Grants & Contributions		Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT[†]:								
Governmental activities:								
General government	\$	420,476				(420,476)		(420,476)
Public Safety		530,216			9,381	(520,835)		(520,835)
Public Works - Streets		314,238				(314,238)		(314,238)
Public Health		14,557				(14,557)		(14,557)
Culture and Recreation		33,396				(33,396)		(33,396)
Redemption of principal		117,056				(117,056)		(117,056)
Debt Service interest		10,979				(10,979)		(10,979)
Total Governmental Activities		1,440,918		-	9,381	(1,431,537)		(1,431,537)
Business-type Activities:								
Water and Sewer		349,632	452,277				102,645	102,645
Redemption of principal		13,055					(13,055)	(13,055)
Debt Service interest		53,631					(53,631)	(53,631)
Total Business-type Activities		416,318	452,277			-	35,959	35,959
Total Primary Government	\$	1,857,236	452,277	-	9,381	(1,431,537)	35,959	(1,395,578)

GENERAL RECEIPTS:

Taxes:

Ad valorem taxes	\$ 548,416	548,416
Sales tax	418,527	418,527
Franchise taxes	56,970	56,970
Licenses & permits	10,813	10,813
Unrestricted investment income	2,145	3,887
		6,032

The accompanying notes are an integral part of this statement.

CITY OF ROLLING FORK

STATEMENTS OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2014

Functions/Programs	Program Cash Receipts				Net (Disbursements) Revenue & Changes in Net Assets		
	Charges for	Operating Grants & Contributions	Capital Grants & Contributions		Governmental Activities	Business-Type Activities	Total
	Disbursements	Services					
Intergovernmental:							
General					1,069		1,069
State shared					98,708		98,708
Local					3,619		3,619
Fines & Forfeits					51,530		51,530
Miscellaneous					33,866	450	34,316
Rent Income					21,600		21,600
Water Meter Deposits						5,264	
Water Deposit Refunds						(6,136)	
Capital Outlay							-
Interest added to CD's					(2,145)	(3,887)	(6,032)
Total general receipts					1,245,118	(422)	1,448,634
Changes in net assets							
					(186,419)	35,537	(150,882)
Net assets at beginning of year					658,164	372,628	1,030,792
Net assets at end of year					\$ 471,745	408,165	879,910

The accompanying notes are an integral part of this statement.

CITY OF ROLLING FORK, MISSISSIPPI

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND
CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2014

	GOVERNMENTAL ACTIVITIES					BUSINESS-TYPE ACTIVITIES	
	General Fund	Special Revenue	Capital Projects	Debt Service	Other Nonmajor Funds	Total	Water & Sewer Fund Total
RECEIPTS							
Taxes							
General property taxes	\$ 477,647			\$ 70,769	\$	\$ 548,416	
Penalties and interest on delinquent taxes	14,070					14,070	
Additional privilege taxes	5,521					5,521	
Licenses and permits							
Privilege licenses	6,459					6,459	
Building permits	3,210					3,210	
Other fees and permits	1,144					1,144	
Franchise charges - utilities	56,970					56,970	
Intergovernmental revenues:							
General municipal aid	1,069					1,069	
State shared revenues:							
Sales taxes	418,527					418,527	
Homestead Exemption Reimb	36,549					36,549	
Gasoline tax	5,994					5,994	
Motor vehicle Tax	22,427					22,427	
Alcoholic beverage license	450					450	
Fire insurance rebate	11,679					11,679	
In lieu taxes- Grand Gulf	20,595					20,595	
Other State Aid	1,014					1,014	
Public Safety Grant	9,381					9,381	

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CITY OF ROLLING FORK, MISSISSIPPI

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND
CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2014

	GOVERNMENTAL ACTIVITIES					BUSINESS-TYPE ACTIVITIES		
	General Fund	Special Revenue	Capital Projects	Debt Service	Other Nonmajor Funds	Total	Water & Sewer Fund	Total
Local shared revenues:								
County fire allocation	2,952					2,952		
County youth allocation	667					667		
Charges for services:								
Water and sewer receipts							\$ 452,277	\$ 452,277
Fines and forfeits	51,530					51,530		
Interest revenue	2,145					2,145	3,887	3,887
Rent income	21,600					21,600		
Miscellaneous receipts	14,275					14,275	450	
Total Receipts	\$ 1,185,875			\$ 70,769		\$ 1,256,644	\$ 456,614	\$ 456,164
DISBURSEMENTS								
General government	297,440					297,440		
Public safety								
Police	512,506					512,506		
Fire	17,710					17,710		
Highways and streets	314,238					314,238		
Public health	14,557					14,557		
Culture and recreation								
Library	13,165					13,165		
Parks	15,984					15,984		
Visitor's Center	4,247					4,247		
General City	123,036					123,036		

The accompanying notes are an integral part of this statement.

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CITY OF ROLLING FORK, MISSISSIPPI
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND
CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2014

	GOVERNMENTAL ACTIVITIES					BUSINESS-TYPE ACTIVITIES		
	General Fund	Special Revenue	Capital Projects	Debt Service	Other Nonmajor Funds	Total	Water & Sewer Fund	Total
Enterprise								
Water and sewer							349,632	349,632
Redemption of principal	37,056			80,000		117,056	13,055	13,055
Debt service interest	6,889			4,090		10,979	53,631	53,631
Total Disbursements	<u>\$ 1,356,828</u>			<u>\$ 84,090</u>		<u>\$ 1,440,918</u>	<u>\$ 416,318</u>	<u>\$ 416,318</u>
Excess (Deficiency) of receipts over disbursements	<u>\$ (170,953)</u>			<u>\$ (13,321)</u>		<u>\$ (184,274)</u>	<u>\$ 40,296</u>	<u>\$ 39,846</u>
OTHER CASH SOURCES (USES)								
Water Meter Deposits							5,264	5,264
Water Meter Deposit Refunds							(6,136)	
Transfers In	7,888					7,888		
Transfers Out	(1,788)		(6,100)			(7,888)		
Interest added to CD's	(2,145)					(2,145)	(3,887)	(3,887)
Total other cash sources (uses)	<u>\$ 3,955</u>		<u>(6,100)</u>	<u>\$ -</u>		<u>\$ (2,145)</u>	<u>\$ (4,759)</u>	<u>\$ 1,377</u>
Excess (Deficiency) of receipts and other cash sources over disbursements and other cash use	(166,998)		(6,100)	(13,321)		(186,419)	35,537	35,537
CASH BASIS FUND BALANCE - BEGINNING OF YEAR	733,331	13,990	6,100	(95,257)		658,164	372,628	372,628
CASH BASIS FUND BLANCE - END OF YEAR	<u>\$ 566,333</u>	<u>\$ 13,990</u>	<u>\$ -</u>	<u>\$ (108,578)</u>		<u>\$ 471,745</u>	<u>\$ 408,165</u>	<u>\$ 408,165</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROLLING FORK, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. GENERAL INFORMATION

The city operates under the Mayor/Board of Aldermen form of government and provides services as authorized by law.

B. REPORTING ENTITY

The financial statement of the city consists of all the funds of the city.

C. FUND ACCOUNTING

The accounts of the city are organized on the basis of funds, each of which is considered a separate accounting entity.

D. BASIS OF ACCOUNTING

The financial statement is prepared on a cash receipts and disbursements basis, as prescribed by the Office of the State Auditor. Consequently, certain revenues are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. The financial statement presentation differs from generally accepted accounting principles in that the government-wide financial statements are reported using the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

E. ASSETS AND NET ASSETS OR EQUITY

Cash

The government's cash is considered to be cash on hand. Certificates of deposit are considered investments and are not included in the basic financial statements of the City of Rolling Fork.

Net Assets

The City's government-wide and business-type net assets are divided into the following components:

–
Restricted net assets – consist of net assets that are restricted by the City's creditors (for example through debt covenants), by state enabling legislation (through restrictions or shared revenues), by grantors (both Federal and state), and by contributors.

**CITY OF ROLLING FORK, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

Unassigned net assets – all other net assets of governmental activities are reported in this category

Assigned net assets – all other net assets of business-type activities are reported in this category.

NOTE 2 – REPORT CLASSIFICATIONS

Receipts and disbursements were classified according to requirements for small municipalities in the State of Mississippi as prescribed by the Office of the State Auditor.

NOTE 3 – CASH AND CASH EQUIVALENTS

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the federal Depository Insurance Corporation.

The carrying amount of the City of Rolling Fork, Mississippi deposits with financial institutions was \$ 1,803,686, and the bank balance was \$1,829,762.

NOTE 4 – PENSION PLAN OBLIGATIONS

Public Employees' Retirement System

Plan Description. The Library contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling 1-800-444-PERS.

**CITY OF ROLLING FORK, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

Funding Policy. At September 30, 2014, PERS members were required to contribute 9% of their annual covered salary, and the City is required by law to contribute at an actuarially determined rate. The rate at September 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal year ending September 30, 2014 was \$ 105,866, which was not materially different from the required contributions for the year.

NOTE 5 – LONG-TERM DEBT

Long-term debt consists of the following:

Revenue Bonds:

2011 Water System Revenue Bond- USDA outstanding in the amount of \$994,670; with balance due in monthly installments of principal and interest payments of \$4,047.67, beginning January 2014. Interest rate is 3%.

Other Notes Payable:

Note payable to the Bank of Anguilla #367219001 dated August 7, 2014. Outstanding balance at September 30, 2014 is \$131,793. Monthly installments of principal and interest of \$4,011.34 began September 5, 2014 and will continue until August 7, 2017. Interest rate on this loan is 4.25%. The loan was for the purpose of refinancing loan #367219 which was originally made for street repairs.

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**CITY OF ROLLING FORK, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

Debt Service Requirements, including interest for the next five years and to the maturity are as follows:

Fiscal Year Ending <u>September 30,</u>	REVENUE <u>BONDS</u>	OTHER <u>NOTES</u>
2015	\$ 48,572	\$ 48,136
2016	48,572	48,136
2017	48,572	44,125
2018	48,572	
2019	48,572	
Thereafter	1,299,302	

NOTE 6 – CONTINGENT LIABILITY – LITIGATION

At September 30, 2014 there were no lawsuits pending against the City of Rolling Fork.

NOTE 7 – ECONOMIC DEPENDENCY

The City is a rural community located in the Mississippi Delta. It is dependent on property taxes and user fees from its residents to sustain its viability.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 23, 2015, the date the financial statements were available to be issued.

On September 8, 2015, the Board of Aldermen approved a GO Bond Issue not to exceed \$1.1 million to defray costs of capital projects including repaving of city streets. A bond validation hearing has been set for September 29, 2015 in the Chancery Court of Sharkey County.

**CITY OF ROLLING FORK, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Grantor/Pass-Through Grantor/Program Title	Federal		Grant Award Number	Federal Expenditures
	CFDA Number			
Office of Justice Programs				
Passed through Department of Public Safety				
Impaired Driving	20.607	14-ST-335-1	\$	1,988
Office of Justice Programs				
Edward Byrne Memorial Assistance Grant (JAG) Program				
Passed through Department of Public Safety				
Local Law	16.738	12LB3351	\$	3,793

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CITY OF ROLLING FORK, MISSISSIPPI
SCHEDULE OF INVESTMENTS - ALL FUNDS
SEPTEMBER 30, 2014

OWNERSHIP	TYPE OF INVESTMENT	INTEREST RATE	ACQUISITION DATE	MATURITY DATE	OTHER INFORMATION	INVESTMENT COST/VALUE
General Fund	Certificate of Deposit	# 34526	0.70%	9/29/2014	3/29/2015 Bank of Anguilla	\$ 285,377
General Fund	Certificate of Deposit	# 33437	0.55%	5/4/2014	11/4/2014 Bank of Anguilla	\$ 28,742
Water & Sewer Fund	Certificate of Deposit	# 33437	0.55%	5/4/2014	11/4/2014 Bank of Anguilla	\$ 108,124
Water & Sewer Fund	Certificate of Deposit	# 34203	0.65%	7/20/2014	1/20/2015 Bank of Anguilla	\$ 509,313
Total Investments						<u>\$ 931,556</u>

CITY OF ROLLING FORK, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2014

DEFINITION AND PURPOSE

	BALANCE OUTSTANDING OCTOBER 1, 2013	ISSUED	TRANS ACTIONS DURING FISCAL YEAR REDEEMED	BALANCE OUTSTANDING SEPTEMBER 30, 2014
General Obligation Bonds:				
1999 Issue	\$80,000		\$80,000	\$0
Revenue Bonds:				
Water System Revenue Bond- USDA	\$1,007,725		\$13,055	\$994,670
Other Long-term Debt:				
Bank of Anguilla # 366484	\$27,476		\$27,476	\$0
Bank of Anguilla #367219	\$141,389		\$141,389	\$0
Bank of Anguilla #367219001	\$0	\$135,347	\$3,554	\$131,793
Total	\$1,256,590	\$135,347	\$265,474	\$1,126,463

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CITY OF ROLLING FORK, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2014

NAME	POSITION	COMPANY	AMOUNT
Eldridge Walker	Mayor	Travelers	\$ 50,000.00
Mary Corban	Alderman	Travelers	\$ 50,000.00
Charles Russell	Alderman	Travelers	\$ 50,000.00
LaDonna Sias	Alderman	Travelers	\$ 50,000.00
Calvin Stewart	Alderman	Travelers	\$ 50,000.00
Carolyn Washington	Alderman	Travelers	\$ 50,000.00
Dot Pearson	City Clerk	Travelers	\$ 50,000.00
	Tax Assessor/Collector	Travelers	\$ 50,000.00
Sandra Nichols	Deputy City Clerk	Travelers	\$ 50,000.00
	Deputy Tax Collector	Travelers	\$ 50,000.00
Katie Alexander	Deputy City Clerk	Travelers	\$ 50,000.00
	Deputy Tax Collector	Travelers	\$ 50,000.00
Sharon Duckworth	Court Clerk	Travelers	\$ 50,000.00
Toni Borden Thomas	Deputy Court Clerk	Travelers	\$ 25,000.00
Cardell Hughes	Chief of Police	Travelers	\$ 50,000.00

HODNETT COMPANY CPA, PLLC

50 Frontage Road

P.O. Box 249

Rolling Fork, Mississippi 39159

Phone: (662) 873-4343 • Fax: (662) 873-4340

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Aldermen
City of Rolling Fork
Rolling Fork, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rolling Fork, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Rolling Fork, Mississippi's basic financial statements, and have issued our report thereon dated September 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Rolling Fork, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Rolling Fork, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Rolling Fork, Mississippi's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control

that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Rolling Fork, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as items 2014-1.

City of Rolling Fork, Mississippi's Response to Findings

The City of Rolling Fork, Mississippi's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City of Rolling Fork, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City of Rolling Fork, Mississippi's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hodgett Company CPA PLLC

Rolling Fork, Mississippi
September 23, 2015

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Honorable Mayor and Aldermen
City of Rolling Fork
Rolling Fork, Mississippi

Report on Compliance for Each Major Federal Program

We have audited the City of Rolling Fork, Mississippi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Rolling Fork, Mississippi's major federal programs for the year ended September 30, 2014. The City of Rolling Fork, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Rolling Fork, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Rolling Fork, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Rolling Fork, Mississippi's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Rolling Fork, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control over Compliance

Management of the City of Rolling Fork, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Rolling Fork, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Rolling Fork, Mississippi's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report of Schedule of expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rolling Fork, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Rolling Fork, Mississippi's basic financial statements. We issued our report thereon dated September 23, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Hodgett Company CPA, PLLC

Rolling Fork, Mississippi
September 23, 2015



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CITY OF ROLLING FORK, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2014

Summary of Audit Results:

1. The auditor's report expresses an unqualified opinion on the financial statement of the City of Rolling Fork.
2. The significant deficiency disclosed during the audit of the financial statements is reported in this schedule as items 2014-01. This condition was not considered to be a material weakness.
3. No instances of noncompliance material to the financial statements of the City of Rolling Fork, Mississippi, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Internal Control over Financial Reporting and on compliance and Other Matters Based on an Audit of Financial statements Performed in Accordance with Government Auditing Standards.
5. The auditor's report on compliance for the major federal award programs for the City of Rolling Fork, Mississippi expresses an unqualified opinion on all major federal programs.
6. The audit did not disclose any audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs included:

USDA Rural Development Loan
8. The dollar threshold used to distinguish Type A and Type B programs was \$300,000.
9. The City of Rolling Fork, Mississippi, did not qualify as a low-risk auditee.

CITY OF ROLLING FORK, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2014

Findings:

Significant deficiencies:

2014-1

Preparation of Financial Statements

Condition: Management is unable to prepare the Basic Financial Statements prescribed and permitted by the Mississippi State Department of Audit. Also, a number of transactions were misclassified in the financial accounting records.

Criteria: Management is responsible for the preparation of the Basic Financial Statements prescribed and permitted by the Mississippi State Department of Audit. Management is responsible for the completeness and accuracy of the accounting records.

Effect: During our audit, we discovered a number of transactions that were not recorded correctly in the general ledger. It was necessary for us to recommend adjusting journal entries in order to adjust revenue and expense accounts to actual.

Recommendation: Management should give proper consideration to classification of expenditures so that amounts are recorded correctly. Also, accounting personnel should be trained in the preparation of financial statements in the prescribed form.

City's Response: The City's management will monitor the classification of expenses to ensure that they are recorded correctly within the general ledger. Also, due to lack of personnel and cost constraints, the City feels it is more effective to have the City's required Basic Financial Statement's prepared by a third party. The City's management will take full responsibility for all adjusting and/or reclassification journal entries proposed by external auditors.

Findings and Questioned Costs – Major Federal Awards Program Audit:

None.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Honorable Mayor and Aldermen
City of Rolling Fork
Rolling Fork, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Rolling Fork as of and for the year ended September 30, 2014, which collectively comprise the City of Rolling Fork, Mississippi's basic financial statements and have issued our report thereon dated September 23, 2015. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

As required by the state legal compliance audit program prescribed the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information disclosed the following instances of noncompliance with state laws and regulations:

Contract paid in excess of bid without documentation of change order or approval.

Municipal budget was adopted at the function level for each department. Expenditures made exceeded budget estimates in several departments of the general fund without budget amendments in violation of 21-35-17 of MS Code of 1972. Total expenditures for the general fund did not exceed the budget.

Municipal budget was adopted at the function level. Water & Sewer Fund debt service payments were not budgeted in violation of 21-35-17 of MS Code of 1972. Total expenditures for the fund did not exceed the budget.

Emergency purchase for water well repairs in excess of \$5,000 was not documented in the minutes as required in section 31-7-13 of the MS Code of 1972.

Ordinance #229 increasing water rates was included in the minutes but not entered into the ordinance book.

Minutes of board meetings are not signed by the mayor or majority of board within 30 days of the meeting.

The report is intended for the information of the City's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Hodnett Company CPA, PLLC

September 23, 2015

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